

**South Staffordshire Water
Customer Challenge Group (CCG)
Held at The Village Hotel, Walsall**

Thursday 11th April, 2013

MINUTES

Attendees:

Yve Buckland	Independent Chair
Rachel Barber	Customer Services Director, South Staffs Water
Keith Marshall	Supply Director & Acting Managing Director, South Staffs Water
Steve Morley	Compliance Director, South Staffs Water
Barbara Juley	Head of Customer Engagement, South Staffs Water
Ralph Tennant	Black Country Federation of Small Businesses
Colin Greatorex	Lichfield District Council
David Wurr	Consumer Council for Water
Adam Lines	Environment Agency
Gemma Domican	Consumer Council for Water
John Thompson	SSW Charitable Trust
Tom Marshall	Lichfield District Council
Greg Marshall	Environment Agency
Bernard Crump	Consumer Council for Water
Davy Jones	Consultation Institute
Andy Baxter	Coors Brewery

Apologies:

Catherine Lund	Spirit Pub Company
Elinor Cordinor	Drinking Water Inspectorate
Ian Butterfield	Natural England
Matthew Lewis	Regulation Director, South Staffs Water
Ray White	Walsall Citizens Advice Bureau
Ahmadul Haque	Tipton Green Councillor

1. WELCOME

Professor Bernard Crump, the new Regional Chair of the Consumer Council for Water was welcomed to the meeting.

2. APOLOGIES

Listed above.

3. REVIEW OF MINUTES AND ACTIONS FROM LAST MEETING

The minutes were agreed as a true record.

Matters Arising were dealt with:

1. The Customer Research Task group to review and provide a proposal for further customer engagement, to be discussed at a future task group meeting.

ACTION: to discuss further research requirements at a future task group meeting.

2. Engineering Review and Interim Assurance report to be covered on the agenda.
3. Volunteers from the SSW CCG were received from, David Wurr, John Thompson, Tom Marshall. Bernard Crump in order to meet with representatives from the Cambridge CCG to discuss the utilisation of the savings as a result of the merger for customer benefit. Cambridge CCG is meeting on 16th May where volunteers will be sought and a joint meeting will be arranged June / July.

ACTION: Cambridge CCG to seek volunteers at their next CCG. SSW and Cambridge to arrange a joint meeting date.
4. Barbara Julye provided an update of the meeting between SSW and Ian Butterfield confirming the response to the challenges made by Ian. Greg Marshall, on behalf of Ian, confirmed the good progress and commitment made by the Company with a few minor considerations to the response.
5. The Chair confirmed that Ofwat would not be attending a future meeting.
6. The issues around governance, papers etc were covered as part of the agenda.
7. A summary of the Company's performance is covered as part of the agenda.
8. A copy of the presentation delivered by Community research at the last meeting was circulated with the papers.
9. Gemma Domican confirmed that she would share the benchmarking information being collated from other companies regarding affordability strategies to SSW.
ACTION: Gemma Domican to share affordability benchmarking information with SSW.

4. GOVERNANCE ISSUES

a) Process changes for operation of this CCG

The Chair provided an update of the meeting between herself, Colin Greatorex, Rachel Barber and Keith Marshall on 4th March. This meeting was to follow up on concerns and challenges raised by CCG members at the last meeting on timing of papers, time available to the group for future challenge and environmental issues. It was confirmed by both the Chair and Colin that the company had responded and proposed set of actions to resolve these concerns. It was noted that there had been an improved process around the paperwork for the current meeting and also a sub-group had been established to look at outcomes (report later on the agenda). A revised timetable had been submitted. Separate meetings had been held with Natural England (reported elsewhere on the agenda).

b) Feedback from Ofwat workshop with CCG Chairs

The Chair had already sent a report of this workshop to the Challenge Group together with a copy of the strategic vision statement made by the new Chairman of Ofwat, Jonson Cox. In particular, the group will need further meetings to better challenge the menu of proposals put forward by the company, the incentives and penalties and any trade-offs. CCG is crucial to Ofwat, and CCG's role is to challenge on business plans. Tom Marshall said he thought Ofwat was wielding a big stick, but Yve Buckland said that Ofwat was like a referee, and the CCGs had to get on with it. Steve Morley confirmed that it appeared to be an ambitious agenda

from Ofwat and that he would encourage everyone to think about what was proportionate for SSW's customer engagement process. Yve Buckland added that the business plan is the responsibility of the SSW board, but it was the responsibility of the CCG to oversee good engagement and that the draft plan meets what members believe are the priorities of customers at a price they are prepared to pay

- c) Use of Mike Reid, Monson Engineering to review the investment needs of SSW for the CCG.

Rachel Barber reminded members that at the last meeting they had discussed swapping Reporters between SSW and Cambridge Water, but since then the Engineering Reporter for Cambridge had retired, so it was now proposed to use Mike Reid of Monson Engineering for both reviews. Yve Buckland questioned whether the Reporter could be totally independent as he would be paid by SSW. Keith Marshall said that Mr Reid has great integrity and has often challenged the company about the direction it is taking. Gemma Domican asked to see some the challenges he has made. Yve Buckland suggested some CCG members should meet with Mr Reid, as he should be able to suggest areas that may be an issue, and some terms of reference should also be developed over his work with the company. Tom Marshall confirmed that he had impressive credentials and the group asked what challenges he made last time and if these could be shared.

ACTION: Confirm the appointment of Mike Reid to undertake an engineering review and report to the Group. SSW to provide examples of challenges to CCW; a group of CCG members and Mr Reid should be invited to a joint meeting; terms of reference to be written for the Engineering Reporter role. If possible Mike should liaise with the task group to understand any challenges they too wish to make. Also a list of the challenges made should be noted.

- d) Consultation Institute – to coordinate the Assurance Report

Davy Jones has been proposed to provide technical assistance in drafting the Chair's report. He introduced himself to the group and outlined his background and said he will be working for the CI to carry out a review of the customer research on behalf of CCG. Yve Buckland welcomed a fresh pair of eyes looking at the research. She emphasised that Davy Jones will be writing the report, in the name of, and to be signed off by the CCG. The CI will provide an interim report by July, which would highlight any gaps, in order to ensure the final report in December was the one that CCG would want. Adam Lines asked that the Willingness to Pay and Acceptability research both be included in the interim report. Rachel Barber said the Acceptability research would not be done by July. John Thompson asked for some clarity over a potential conflict of interest as Community Research is a member of CI, but Davy Jones said that this has been allowed for, in that he is not an employee of CI, but a freelance consultant, and he said he would not hesitate to ask questions.

ACTION: Yve Buckland will meet with Davy Jones to discuss terms of reference and the work to be undertaken to deliver the interim report.

5. SSW PERFORMANCE UPDATE

Keith Marshall gave a presentation which was circulated to the group in advance of the meeting. He confirmed that customers were at the heart of the Company's strategy. Rachel Barber said that she and Barbara Julye's team led on this and the latest qualitative results for customer satisfaction had put the company in first place jointly with

Anglian Water, compared to ninth place last year. The quantitative result is still awaited. Barbara Julye said the actual score for customer satisfaction was 4.69 out of 5 and David Wurr congratulated the company on the achievement.

Keith Marshall said that staff within both SSW and Echo had come a long way on customer service delivery, in addition to which the leakage target had been beaten, with levels down to 64 or 65 mega litres per day, though with the level higher than this time last year due to the prolonged winter, work is being done to reduce that. Infrastructure is stable, but on water quality there were a number of coliform failures last year, though these may have been incorrect measures due to problems with the analytics provider and the company is working with the provider to improve analysis; there has been one failure since October. The company is also comfortable with its asset serviceability.

Yve Buckland noted that the DWI was monitoring the Company's actions.

The Company has the best energy tariff that procurement could get, said Keith Marshall and business structures have been streamlined, for example, bringing in competition for the Direct Labour Team. Tom Marshall asked if the company had considered renewable energy sources, to which Keith Marshall answered that photovoltaics had been looked at as the feed-in tariff was reduced, but as costs were now dropping the company would look at it again. In addition, erecting a wind turbine at Chelmarsh had been considered, which local residents had been against, but in any event there was not enough wind there. The company is the best (in the water industry) for energy efficiency and would now be working to increase energy efficiency at Cambridge. SSW also has a contract to provide standby power for the National Grid, but since the start of April the company's power was being used for a couple of hours each day by National Grid.

Moving on to customer service, Keith Marshall said that the company is developing its digital strategy to give customers greater choice in their contact methods – and there had been significant contact since the web-based contact platforms were increased. The company also ensures its debt collection activities through Echo were improving due to the way customers are approached. Rachel Barber reiterated that there were differences in the way customers were approached over debt depending on their circumstances and whether they were customers who did not want to pay rather than they could not afford to do so. David Wurr commented that CCW has a debt assessment and planning procedure and since changing its processes, SSW had not been on the radar over this issue and therefore, must be doing things right. John Thompson also pointed out that Echo is referring more customers to the Charitable Trust where appropriate.

The Chair asked if the Company had outperformed its profit target for 2012/13 and would like information on the Company performance regarding this matter.

ACTION: SSW to provide a breakdown to CCG members of the capex spend compared to the Business Plan and what has been carried forward to Amp 6. In addition that information is shared regarding the performance against profit.

6. COMPANY UPDATE – MERGER AND POTENTIAL GROUP SALE

Keith Marshall reported that the Group had been put up for sale by the current owners, Alinda. A number of parties have shown an interest and the likelihood is that there will be new owners, though how soon is not known. Tom Marshall said he had been involved with SSW for about 10 years and this would be the third or fourth change of ownership in that time. He asked if the company expected to see any changes under new ownership. Keith Marshall replied that he did not expect any differences as long as

the company continues to perform. Keith confirmed the merger of Cambridge and South Staffs went ahead on 1st April 2013.

7. OUTCOMES AND INCENTIVES

Steve Morley said that previously, in customers' terms, the work water companies do, for example, laying new pipes, does not mean much, but now there is a move from outputs to outcomes (in the business plan), which is more about what the customer expects. What customers want, he said, is a wholesome water supply, so (the business plan) should not talk about building new treatment works, but what the benefit would be to the customer – the "happiness measure."

Tom Marshall gave a presentation on the outcomes discussed and put forward at a meeting of the Outcomes Task Group. The OTG's role is to look at whether the company is reflecting the priorities of customers and stakeholders. The company had proposed five outcomes based on results of customer research so far, though the OTG is toying with making it six. Incentives to be considered were penalty only (bills reduced if company fails to deliver), reward (for over-delivery) or penalty, trade-offs, non-financial incentives.

- On the water quality outcome, Andy Baxter commented that continued water hardness in his industry means continuous treatment to make it softer. He said he was willing to treat continuously, provided the water remained colourless and tasteless.
- On leakage levels, Tom Marshall said he believed that the more customers were educated about them, the more they are willing to accept them.
- On complaint levels, Barbara Julye pointed out that these are used as a measure, but at the moment the industry only focuses on written complaints, and while it was not good for the company, telephone complaints should also be included. Rachel Barber said all complaints methods were included. Davy Jones said a high level of complaints was not necessarily a bad thing, since it meant customers felt comfortable with complaining.
- Environmental sustainability includes a number of issues, including leakage and metering and Tom Marshall said this could be split into two outcomes. Greg Marshall said they had felt it important to leave in several topics.

The group stressed the importance of transparency and clarity about profits and investor returns. They challenged that fair profits should be one of the outcomes. In answer to a question from Bernard Crump, Rachel Barber confirmed that the OTG had not identified any outcomes that were for the benefit of investors. Yve Buckland said that if there is a windfall, then arguably consideration should be given to whether the money comes off bills or is put into investment.

Steve Morley said the outcomes were supported by customer research that has been done in Cambridge and is also similar to Anglian Water's research findings.

Yve Buckland said she felt the OTG had moved things on considerably, but the decision on outcomes is ultimately with the board. Rachel Barber said no engagement had been done with the board yet until it is clarified who exactly the board is, which should be later in the month.

Greg Marshall said he was worried that CCG was being hazy about what was being kept in and what was being dropped out of the outcomes. John Thompson said these were really only the first proposals and the reason to bring them before the CCG was to

ask if there were issues that had been missed or issues listed that were not considered important. Bernard Crump said there were a lot of positives, but he felt uncomfortable where outcome descriptors had no measure.

Rachel Barber confirmed that the purpose at this stage was to provide an update of the work undertaken so far of the OTG. A further meeting is arranged of the OTG on 21st May. In the meantime Cambridge CCG will meet and understand the progress to date. In addition SSW will commence engagement with the Board over the coming months. It was confirmed that customer research will continue to inform the development of the outcomes and subsequent measures etc.

8. WILLINGNESS TO PAY UPDATE FOLLOWING PILOT

Barbara Julye reminded members that the purpose was to measure how much people are willing to pay for service improvements, or whether they would prefer to pay less for lower levels of service. She added that there had been compromises made around the attributes following the research pilot in February. There are 500 domestic and 200 business customers who will now be surveyed.

David Wurr said he had had some concerns over the choice cards, but since extra information has been added he thought they were very good. Greg Marshall expressed concerns over the wording of environmental questions on the survey, but David Wurr stressed that the wording in the online survey had been changed in line with customer feedback.

Bernard Crump also pointed out that there was a semantic problem with the phrase “willingness to pay”. He said it was a methodology on how to find what people were willing to pay for and not a figure for what they wanted the bill to be. Steve Morley said that ICS (research consultancy) recognised that point, and that just because results suggested that customers were willing to pay an extra £10 for the environment, companies could not increase bills by £10.

Greg Marshall wanted the opportunity to have a further look at the choice cards to ensure that they were not leading nor misleading the customer on environmental issues.

ACTION: Greg Marshall to review the choice cards and confirm to Barbara his view.

9. REVIEW AGENDA FOR NEXT MEETING

Rachel Barber said the June meeting will cover the company’s investment drivers for the next five years, an update on the business plan and a summary of the Willingness to Pay research. The July meeting will look at what the company may see as the preferred business plan, a discussion on the Willingness to Pay survey and members will also need to decide when the acceptability research should be carried out. Both meetings are expected to be four hours long.

In answer to a question from Yve Buckland, Barbara Julye added that the online customer panel included future bill payers.

Closed item

SSW members then left the room for the remainder of the meeting.

Next meeting: June 13th at 10am. Venue to be confirmed.

The meeting closed at 5.30pm.

